

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 CIEP-03 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 FRB-03 XMB-07 OPIC-12 LAB-06 SIL-01

AGR-20 DRC-01 /196 W

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R 271931Z SEP 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2743

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR/FR: EC

SUBJECT: FRENCH REACTIONS TO BONN DECISION ON EC FARM

PRICE SUPPORTS

REF: A) PARIS 17560; B) PARIS 22431

SUMMARY: BONN DECISION PUTS A ROADBLOCK IN PATH OF
FRENCH FARM LEADERS WHO HAD HOPED FOR FURTHER CONCESSIONS

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FROM FRENCH GOVERNMENT ON AGRICULTURAL PRICE AND INCOME

SUPPORTS. DESPITE STRONG FRENCH REACTION TO BONN DECISION, GOVERNMENT SPOKESMEN SEEM TO BE TRYING TO AVOID OVER REACTIONS THAT WOULD ENDANGER FRENCH-GERMAN POLITICAL RELATIONSHIPS. PRIME MINISTER CHIRAC TERMED THE BONN DECISION A MISUNDERSTANDING THAT CAN BE CLEARED UP AT NEXT WEEK'S EC MEETING. PRIVATE CONVERSATIONS WITH SENIOR FRENCH OFFICIALS TEND TO CONFIRM THIS VIEW. END SUMMARY.

1. AGRICULTURAL POLICY HELD FRONT CENTER STAGE IN THE PRESS AND TV MUCH OF THIS WEEK IN PARIS. FOR MICHEL DEBATISSE AND OTHER FRENCH FARM LEADERS THEIR EXPECTATIONS FOR A SUCCESSFUL CONCLUSION TO THEIR 6-MONTH CAMPAIGN FOR INCREASED INCOME FOR FRENCH FARMERS WERE RUDELY JOLTED BY THE BONN REJECTION OF THE 5 PERCENT PRICE INCREASE AGREED TO LAST WEEK IN BRUSSELS.

2. THE 4TH ANNUAL CONFERENCE BETWEEN THE FRENCH GOVERNMENT AND REPRESENTATIVES OF 4 FARMER ORGANIZATIONS WAS HELD ON THURSDAY, SEPTEMBER 26. FOLLOWING THE BRUSSELS DECISIONS OF LAST FRIDAY, FRENCH FARM LEADERS MADE THEIR EXPECTED PROTESTS, AS THE PRICE INCREASES FELL SHORT OF THEIR DEMAND FOR 8 PERCENT. HOWEVER, THEY TOOK A WAIT-AND-SEE ATTITUDE UNTIL AFTER THE RESULTS OF THE ANNUAL CONFERENCE WITH PRIME MINISTER CHIRAC, WHOM THEY REGARD AS A STAUNCH SUPPORTER OF THEIR INTERESTS.

3. THE CAMPAIGN OF THE FRENCH FARM LEADERS FOR UPWARD REVISIONS IN EC SUPPORT PRICES BEGAN 6 MONTHS AGO, JUST AFTER THE EC DECISIONS WERE MADE FOR THE 1974-75 SEASON. AVERAGE FARM INCOME INCREASED BY A HEALTHY 10 PERCENT IN 1973, BUT INCREASED PRODUCTION COSTS THREATENED AN INCOME REVERSAL IN 1974. DEBATISSE, PRESIDENT OF THE LARGE AND INFLUENTIAL FRENCH FARMERS' ORGANIZATION FNSEA, ISSUED A WARNING AT THE ANNUAL FNSEA CONGRESS THE END OF MARCH THAT IF THE PRESENT INFLATION RATE CONTINUED, ADDITIONAL ADDITIONAL PRICE INCREASES MUST BE GRANTED DURING THE CURRENT SEASON. SINCE THAT TIME FRENCH FARMERS AND THEIR LEADERS HAVE SUBJECTED THE GOVERNMENT TO ALMOST CONTINUOUS PRESSURE OF PROTESTATIONS AND DEMONSTRATIONS LIMITED OFFICIAL USE

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FOR RELIEF FROM RISING PRODUCTION COSTS. THE MEASURES TAKEN BY THE FRENCH GOVERNMENT IN JULY (REFTEL A) ONLY PARTIALLY EASED FARMER DISCONTENT. (IT WAS ESTIMATED THOSE MEASURES WOULD RESTORE ABOUT 3 BILLION FRANCS OF A POSSIBLE DROP IN INCOME OF 7 BILLION FRANCS.) DEBATISSE SPEARHEADED THE ORGANIZATION OF EC-WIDE DEMONSTRATIONS BY FARMERS ON SEPTEMBER 16 JUST IN ADVANCE OF THE EC AGRICULTURAL MINISTERS' MEETING TO CON-

SIDER INTERIM INCREASES IN PRICE SUPPORTS.

4. AGRICULTURAL MINISTER BONNET DEFENDED LAST WEEK'S DECISIONS ON PRICE SUPPORTS IN A MEET-THE-PRESS TYPE PROGRAM ON FRENCH TV ON MONDAY EVENING. IN RESPONSE TO ACCUSATIONS THAT FRENCH REPRESENTATIVES HAD NOT SUPPORTED FRENCH FARMER INTERESTS STRONGLY ENOUGH IN BRUSSELS, BONNET INSISTED IT WAS MAINLY BECAUSE OF FRENCH PRESSURE THAT THE COMMISSION ORIGINALLY PROPOSED AN INCREASE OF 4 PERCENT. THEN THIS WAS RAISED TO 5 PERCENT DESPITE STRONG OPPOSITION OF SOME OTHER MEMBER COUNTRIES. WITH RESPECT TO GERMANY'S POSITION, HE ATTRIBUTED IT TO A DIFFERENT APPROACH, AS GERMANY TENDED TO

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USIA-15 AID-20 EB-11 CIEP-03 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 FRB-03 XMB-07 OPIC-12 LAB-06 SIL-01

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R 271931Z SEP 74

FM AMEMBASSY PARIS

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INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

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TO SUBORDINATE EVERYTHING INCLUDING FARMERS' INTERESTS TO ITS FIGHT AGAINST INFLATION. ON THE IMPACT ON CONSUMERS OF THE NEW PRICE INCREASES, BONNET GAVE THE USUAL FRENCH RESPONSE THAT THE CONSUMER IS PROTECTED FROM WORLD PRICZR RKATIONS. HE DID ANNOUNCE, HOWEVER, THAT A PROGRAM PROGRAM WOULD BE INSTITUTED TO PROVIDE 2.5 MILLION FRENCH CONSUMERS WITH 50 PERCENT REDUCTION IN COSTS OF MEAT. THE REPORTERS QUESTIONED BONNET PERSISTENTLY ON WHAT ADDITIONAL MEASURES WOULD BE GRANTED FARMERS AT THE LIMITED OFFICIAL USE

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THURSDAY ANNUAL CONFERENCE. ALTHOUGH HE DID NOT EXCLUDE FURTHER MEASURES, HE STRESSED THE DIFFICULTY OF SATISFYING EVERYONE AND THE CRITICISMS OF THE EC COMMISSION AND MEMBER COUNTRIES OF THE FRENCH MEASURES TAKEN IN JULY.

5. DISCUSSION OF THE PRICE AND INCOME SITUATION OF FARMERS AT THE ANNUAL CONFERENCE WAS IN EFFECT TORPEDOED BY THE GERMAN DECISION. CHIRAC ANNOUNCED AFTER THE CONFERENCE THAT THIS QUESTION WOULD BE TAKEN UP ON THURSDAY OF NEXT WEEK FOLLOWING THE WEDNESDAY EC MEETING. CHIRAC REAFFIRMED THE STRONG ATTACHMENT OF THE FRENCH TO THE CAP RULES AND PRINCIPLES WHICH CANNOT BE TAMPERED WITH. HE ALSO IMPLIED BUT DID NOT SAY DIRECTLY THAT IF THE RESULTS OF THE EC MEETING WERE NOT SATISFACTORY, THE FRENCH GOVERNMENT WOULD TAKE UNILATERAL MEASURES TO PROTECT THE INCOME POSITION OF ITS FARMERS. CHIRAC ALSO ANNOUNCED, FOLLOWING THE CONFERENCE, THE FORMATION OF A STUDY GROUP TO DEVELOP A PROPOSED LAW ON FARM MARKET ORGANIZATION TO BE PRESENTED TO THE FRENCH ASSEMBLY NEXT SPRING. THE PROPOSAL IS INTENDED TO EXTEND A SYSTEM OF GUARANTEED MINIMUM PRICES TO THOSE FARM PRODUCTS NOT ALREADY PROTECTED BY SUCH A SYSTEM. THIS PROPOSAL WOULD MOVE FRANCE EVEN FURTHER IN THE DIRECTION OF MARKET ORGANIZATION AND AWAY FROM RELIANCE ON MARKET FORCES. ALSO, ACCORDING TO CHIRAC, FRANCE INTENDS TO ASK BRUSSELS FOR MODIFICATION IN THE RULES ON FRUITS AND VEGETABLES WHICH WOULD STRENGTHN COMMUNITY PREFERENCE TO MEMBER COUNTRIES. FARMER REACTION AFTER THE ANNUAL CONFERENCE REMAINS ONE OF SHARP CONCERN BUT STILL WAIT-AND-SEE--THAT IS, UNTIL AFTER NEXT WEEK'S EC MEETING.

6. THE BONN DECISION ON THE INCREASE IN EC PRICE SUP-

PORTS BROUGHT REACTIONS OF SHOCK, DISMAY AND INCREDULITY IN THE PRESS AND FROM AGRICULTURAL LEADERS. GOVERNMENT SPOKESMEN, HOWEVER, WERE MORE RESTRAINED AND SEEMED TO WANT TO PLAY DOWN THE SIGNIFICANCE OF THE GERMAN ACTION. CHIRAC TERMED IT A MISUNDERSTANDING ("UN MALENTENDU") AND STATED HIS CONFIDENCE THAT IT CAN BE CLEARED UP AND THE 5 PERCENT RISE IN PRICES CAN COME INTO EFFECT AS PLANNED OCTOBER 1. THIS REACTION IS IN MARKED CON-
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TRAST TO CHIRAC'S LESS RESTRAINED STATEMENTS OF AUGUST 1973 REGARDING GERMAN ALLEGIANCE TO THE PRINCIPLE OF A EUROPEAN COMMUNITY.

COMMENT: THE BONN DECISION MAY NOT HAVE BEEN AS UNWEL-
COME AS WOULD APPEAR EVEN THOUGH AT HIS PRESS CONFERENCE CHIRAC SCATHINGLY DISMISSED A REPORTER'S QUESTION ON THE POSSIBILITY OF A SECRET UNDERSTANDING BETWEEN BONN AND PARIS. AS REPORTED IN REFTEL B, GISCARD MAY FIND GERMAN PRESSURE USEFUL IN COUNTERBALANCING THE POLITICAL PRES-
SURES FROM FRENCH FARMERS FOR MORE CAP CONCESSIONS. THIS VIEW IS BORNE OUT BY CONVERSATIONS WE HAVE HAD TODAY WITH

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SENIOR FRENCH OFFICIALS. BERNARD, SECRETARY GENERAL,
TOF THE INTERMINISTERIAL COMMITTEE ON EUROPEAN ECONOMIC COOPERATION,
TOLD US THAT HE DID NOT TAKE A SERIOUS VIEW OF THE
MATTER. HE EXPECTED THINGS TO BE STRAIGHTENED OUT AT
NEXT WEDNESDAY'S COUNCIL OF MINISTERS' MEETING IN
LUXEMBOURG. DE MOREL, DIRECTOR OF THE DREE, ALMOST
OPENLY IMPLIED THERE WAS AN UNDERSTANDING BETWEEN
GISCARD AND SCHMIDT. HE SAID GISCARD (WHO HAS HAD
SEVERAL TELEPHONE TALKS WITH SCHMIDT SINCE THE GERMAN DE-
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CISION WAS ANNOUNCED) WAS NOT AT ALL DISTURBED. DE
MOREL BELIEVED THE MATTER WOULD BE SETTLED AMICABLY NEXT
WEEK. HE SAID HE THOUGHT FRANCE COULD ACCEPT A 4 PER-
CENT INCREASE PROVIDED THAT FRG ACQUIESCED IN THE "IL-
LEGAL NATIONAL MEASURES" TAKEN BY THE FRENCH IN JULY.

OUR IMPRESSION IS THAT THERE HAS BEEN A LARGE MEASURE
OF AGREEMENT BETWEEN GISCARD AND SCHMIDT ON HOW TO
HANDLE THE AGRICULTURAL PRICE PROBLEM AND THAT THE
PRESENT OUTBURST WAS PROBABLY CAUSED BY A MISUNDERSTAND-
ING BETWEEN THE TWO ON THE PRECISE TERMS OF THE DEAL,
A MISUNDERSTANDING WHICH WE BELIEVE WILL BE CLEARED UP
WITHOUT TOO MUCH DIFFICULTY. WE DO NOT CONSIDER THAT
THE INCIDENT CONSTITUTES A SERIOUS SETBACK TO THE
CLOSE RELATIONSHIP BETWEEN GISCARD AND SCHMIDT. AS WE
NOTED IN REF B, HOWEVER, GISCARD HAS LITTLE ROOM TO
MANEUVER IN ANY REVISION OF THE CAP.
IRWIN

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Message Attributes

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